



Department of Justice

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OHIO SCRAP METAL DEALER AGREES TO PLEAD GUILTY AND PAY \$850,000 FINE

WASHINGTON, D.C. — A Richfield, Ohio industrial scrap metal dealer agreed to plead guilty and pay a \$850,000 criminal fine for participating in a conspiracy to allocate scrap metal suppliers and rig bids to certain scrap metal suppliers in Cleveland and other parts of Northeast Ohio, the Department of Justice announced today.

In a one-count criminal case filed today in U.S. District Court in Cleveland, the Department of Justice charged Bay Metal Inc., with conspiring with unnamed co-conspirators to allocate suppliers of solid ferrous and nonferrous scrap and to rig bids for the right to service certain industrial scrap metal accounts. The charged conspiracy began as early as 1992 and continued until at least early 1999. Bay Metal and two of its executives have agreed to cooperate in the ongoing investigation into collusive, anticompetitive practices in the scrap metal industry.

Industrial scrap metal dealers typically buy scrap metal from businesses such as tool and die makers, stamping plants, mills and foundries, all of which generate residual scrap metal as part of their manufacturing and fabricating processes. Residual scrap metal is also referred to as solid ferrous and nonferrous scrap metal. Scrap metal dealers collect the residual scrap metal, sort it, process it, and resell it to customers, such as steel mills, that use scrap metal as a raw material input.

Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division, said the

charge resulted from an investigation of the scrap metal industry being conducted by the Division's Cleveland Field Office, with assistance from the Cleveland Office of the Federal Bureau of Investigation. According to Klein, the investigation is continuing.

According to the charge, Bay Metal agreed with unnamed co-conspirators to suppress and eliminate competition in the scrap metal business in the Cleveland-Akron and Canton-Massillon, Ohio areas. The criminal case charges that Bay Metal and its co-conspirators:

- C Agreed to allocate suppliers and not to compete against each other in the purchase of solid ferrous and nonferrous scrap metal;
- C Agreed to allocate suppliers of ferrous and nonferrous scrap metal among themselves, denying such suppliers a competitive price;
- C Agreed as to which designated co-conspirator would purchase solid ferrous and nonferrous scrap metal from particular suppliers; and
- C Agreed on the prices to be submitted for contracts to purchase solid ferrous and nonferrous scrap metal from particular suppliers, and refrained from bidding, or submitted intentionally low, complementary and non-competitive bids, for certain contracts to purchase solid ferrous and nonferrous scrap metal.

In a related case, *United States v. Atlas Iron Processors, Inc., et al.*, filed in Miami, Florida, two Miami-based scrap metal processing companies and four of their executives were tried and convicted in February 1999 for conspiring to fix prices and allocate suppliers of scrap metal in the Miami area from October 1992 through November 1992. In the Atlas case, the companies' fines and restitution payments exceeded one million dollars. Each individual was also fined at least \$31,800, and each was sentenced to serve a one-year prison term.

Bay Metal Inc. is charged with violating Section One of the Sherman Act, which carries a maximum fine of \$10 million for a corporation. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine.

At sentencing, the Court will determine the appropriate sentence to be imposed under the U.S. Sentencing Guidelines and whether to accept the plea agreement and impose the agreed upon sentence.

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